

**COLLINS-MAXWELL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Lowell Crouse	President	2013
Mark Huntrods	Vice President	2011
Jeff Lindemoen		2013
Amy Van Maanen		2011
Lori Churchill		2011

School Officials

Jason Ellingson	Superintendent
Bonnie Mitchell	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Collins-Maxwell Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of Collins-Maxwell Community School District, Maxwell Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Collins-Maxwell Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

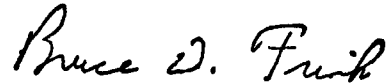
In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2012 on our consideration of Collins-Maxwell Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collins-Maxwell Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

February 3, 2012

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Collins-Maxwell Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,235,423 in fiscal 2010 to \$4,689,683 in fiscal 2011, while General Fund expenditures increased from \$4,590,804 in fiscal 2010 to \$4,653,187 in fiscal 2011.
- The increase in General Fund revenues was attributable to increases in local and state source revenues. The increase in expenditures was due primarily to an increase in salary and benefits. The General Fund balance increased approximately 3% due primarily to cost containment measures. Revenues basically returned to pre state aid cut levels.
- The statewide sales, service and use tax has allowed the District to minimize the property tax levy for debt payments. The District's PPEL (Physical Plant and Equipment Levy) will continue to provide additional funding for the coming years. These supports, along with careful management, should assist the Collins-Maxwell School in remaining on solid financial footing for the foreseeable future.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Collins-Maxwell Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Collins-Maxwell Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Collins-Maxwell Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and Private Purpose Trust funds and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Collins-Maxwell Community School District Annual Financial Report

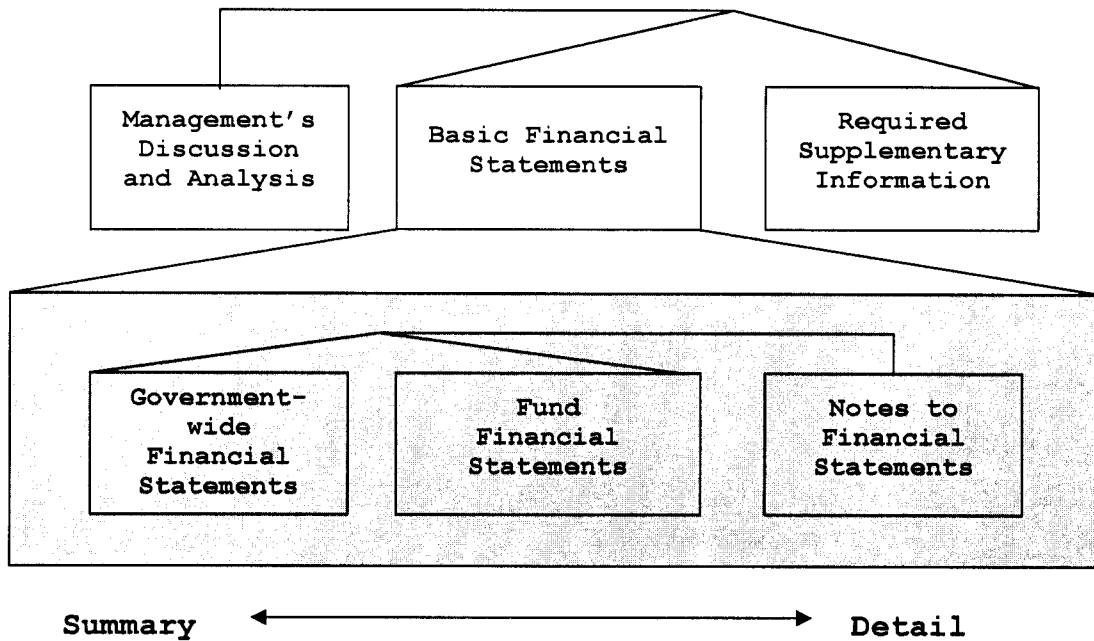


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" fund for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-2011
Current assets	\$ 5,294	5,047	41	35	5,335	5,082	4.98%
Capital assets	3,405	3,445	1	1	3,406	3,446	-1.16%
Total assets	8,699	8,492	42	36	8,741	8,528	2.50%
Current liabilities	2,026	2,226	3	5	2,029	2,231	-9.05%
Non-current liabilities	1,128	1,398	-	-	1,128	1,398	-19.31%
Total liabilities	3,154	3,624	3	5	3,157	3,629	-13.01%
Net Assets							
Invested in capital assets, net of related debt	2,325	2,080	1	1	2,326	2,081	11.77%
Restricted	1,881	1,424	-	-	1,881	1,424	32.09%
Unrestricted	1,339	1,364	38	30	1,377	1,394	-1.22%
Total net assets	\$ 5,545	4,868	39	31	5,584	4,899	13.98%

The District's combined net assets grew by over \$680,000 primarily due to growth in Special Revenue and Capital Projects Funds. The unrestricted net assets fell 1% as allowable growth continues to not adequately meet District needs.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 181	72	99	88	280	160	75.00%
Operating grants, contributions and restricted interest	1,077	1,086	91	90	1,168	1,176	-0.68%
General revenues:							
Property tax	1,802	1,665	-	-	1,802	1,665	8.23%
Income surtax	73	75	-	-	73	75	-2.67%
Statewide sales, services and use tax	605	511	-	-	605	511	18.40%
Unrestricted state grants	2,060	1,794	-	-	2,060	1,794	14.83%
Unrestricted investment earnings	17	25	-	-	17	25	-32.00%
Other	23	18	-	-	23	18	27.78%
Total revenues	5,838	5,246	190	178	6,028	5,424	11.14%
Program expenses:							
Governmental activities:							
Instruction	3,459	3,388	-	-	3,459	3,388	2.10%
Support Services	1,224	1,175	-	-	1,224	1,175	4.17%
Non-instructional programs	-	-	183	191	183	191	-4.19%
Other expenses	478	465	-	-	478	465	2.80%
Total expenses	5,161	5,028	183	191	5,344	5,219	2.40%
Change in net assets	\$ 677	218	7	(13)	684	205	233.66%

Property tax and unrestricted state grants account for 64% of the total revenues. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses. The District continues to direct a greater percentage of its resources to areas that directly effect student education.

Governmental Activities

Revenues for governmental activities were \$5,837,413 and expenses were \$5,160,414 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,459	3,388	2.10%	2,414	2,447	-1.35%
Support services	1,224	1,175	4.17%	1,214	1,169	3.85%
Other expenses	<u>478</u>	<u>465</u>	<u>2.80%</u>	<u>275</u>	<u>254</u>	<u>8.27%</u>
Totals	<u>\$ 5,161</u>	<u>5,028</u>	<u>2.65%</u>	<u>3,903</u>	<u>3,870</u>	<u>0.85%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$180,529.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$720,533.
- The net cost of governmental activities was financed with \$1,800,929 in property tax and \$2,059,955 in state foundation aid (still less than 2009 levels).

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$190,150 and expenses totaled \$182,853. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Collins-Maxwell Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,203,720; a sixteen percent increase over last year's ending fund balances of \$2,759,543. The majority of the increase resulted from the increase in the Capital Projects Fund balances.

Governmental Fund Highlights

- In May, Collins-Maxwell awarded diplomas to 49 seniors. Of those, 48 indicated they plan to attend some type of postsecondary institution to expand their learning and prepare for a career.
- Those same seniors gave incredible portfolio presentations in December and April. For the first time, all portfolio presentations were electronic. The District congratulates the students and their teachers for making this change so smoothly.
- The District successfully met all Adequate Yearly Progress goals in reading, mathematics, and science again for the school year.

- The District continued to receive strong financial and personal support from our various booster clubs. Our students were celebrated and supported in sports, fine arts and other extra-curricular activities. The athletic booster club provided over \$12,000 to the District this year to support and enhance our athletic programs.
- The ACT is the most common college entrance exam taken by our students. A score of 20 or higher on the ACT is considered to be an indicator of probable success in college. Of the 39 ACT - tested juniors and seniors during the 2010-2011 school year, 33 (or 84.6%) of them earned a score of 20 or more.
- The District's Comprehensive School Improvement Plan (CSIP) was certified by the state. Professional development plans for the District, the buildings, and every teacher were aligned to the CSIP to ensure a clear and consistent focus on improvement in our goal areas.
- Our preschool continued in the MACC building downtown. With the expansion to two sections in the fall of 2010, we average thirty-six students for the year.
- The base salary of the teachers for the 2011-2012 school year was increased to \$26,700. The longevity steps were revised, so now a teacher receives \$250 for each year over 21 years of experience added to the step and lane. Teachers were able to receive their year of experience increase as well as any lane advancements due to staff development or graduate course credits.
- Administrator salaries for 2011-2012 increased by about 4% to compensate for a pay freeze the year before. The District also hired two new administrators in the summer of 2011, which lowered total administrative costs.
- Special education costs continued to rise compared to previous years. The District continues to see an increase in the number of special education students with increasingly severe needs. The District projects to have a deficit of approximately \$43,000 at the end of FY11.
- Select students from the FFA attended the national convention in the fall in Indianapolis.
- District enrollment decreased again this year, maintaining a downward trend for the District. Open enrollment out requests continue to outbalance open enrollment in requests. Both factors contribute to a loss in funding to support quality programs and services.
- Health insurance rates continue to rise, forcing the District to carry a larger burden of the cost or reduce employee benefits. The District chose to maintain the same level of benefits and worked with its insurance management company to continue to partially self-fund its insurance plan.
- The Teen Club was once again offered to middle school students throughout the year. The District is thankful to Youth and Shelter Services for providing the supervising personnel and to the Story County Decat board for support a grant to fund the Teen Club. Participation in the C-M Teen Club allows our students to engage in worthwhile activities that support learning and positive social interaction.
- Twenty-four new computers were purchased for the high school computer lab. The computers allowed for expanded software options to better meet the needs of the yearbook, web design, computer applications, and accounting classes.
- Twenty new computers were purchased for the secondary media center. The computers are used by a variety of classes, especially for students with online courses. Our previous computers did not have the correct operating software or enough memory to adequately run the web-based applications used by the online courses.
- Two trees near the tennis court in Maxwell were removed.

- A used bus was purchased for \$1,800 in December to add to our fleet. We expect to drive it for at least three years.
- New risers were purchased for the music department.
- Two LCD projectors and ELMO document cameras were purchased for use in the elementary and secondary classrooms at the start of the school year.
- Kristi Hauptert received a grant for an ELMO document camera. The District purchased the LCD projector to support the grant.
- LCD projectors and new whiteboards were installed in two secondary math classrooms.
- Six more whiteboards were installed in secondary classrooms over the winter break.
- LCD projectors were installed in four secondary classrooms over the winter break.
- Four ELMO document cameras and four LCD projectors were purchased for use in the elementary in the spring.
- The District conducted two bond campaigns, the first in September 2010 and the second in April 2011. The bond campaigns were to incur debt for improvements to the facilities in Collins and Maxwell. Both bond votes had about 55% approval, which failed to reach the mandated 60% supermajority. The District worked through the summer to reduce the scale of facility improvements and to review other financing options.
- The September 2010 bond election also had a question about revising the District's revenue purpose statement for the use of its local option sales tax through the SAVE program. The revised statement was approved with a simple majority, which allows the District more freedom in using sales tax revenue. Previously, the statement required 75% of the sales tax revenue to be used to pay off bond debt. Now, the District can choose what percentage is used for bond debt relief.
- The Board approved its FY12 budget with a debt service levy of \$1.31 to pay down debt and allow more sales tax revenue to be used for current facility improvements. It also reduced its management levy by 38 cents and increased its income surtax for the instructional support program from three to five percent, which reduced property taxes by 34 cents. Overall, the total levy rate increase twenty-five cents.
- The District received \$480,000 in state sales tax revenue, while spending \$350,000 toward debt and other small improvements in the facilities and technology. The District plans to use the balance of sales tax revenue to support larger facility and technology improvements in the near future.
- Through careful management of funds, the District was able to end its fiscal year in the black. The District is able to carry over about \$14,000 of cash revenue into the 2011-2012 school year.

Proprietary Fund Highlights

The School Nutrition Fund balance increased over \$7,000 as cost containment measures continue to pay off.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis of accounting. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 37 and 38.

Legal Budgetary Highlights

The District's receipts were \$317,898 less than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving less federal and state source revenues than anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed the published budget in any of the four functions nor did it exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$169,439.

The original cost of the District's capital assets was \$8,118,840. Governmental funds account for \$8,100,307, with the remainder of \$18,533 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 226	226	-	-	226	226	0.00%
Site improvements	27	40	-	-	27	40	-32.50%
Buildings	2,967	3,076	-	-	2,967	3,076	-3.54%
Furniture and equipment	185	103	1	1	104	133	-21.80%
Totals	<u>\$ 3,405</u>	<u>3,445</u>	<u>1</u>	<u>1</u>	<u>3,324</u>	<u>3,475</u>	<u>-4.35%</u>

Long-Term Liabilities

At June 30, 2011, the District had \$1,080,000 in general obligation bonds outstanding. This represents a decrease of approximately 21% from last year (See Figure A-7). Additional information about the District's long-term liabilities is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District	Total Change
	June 30, 2011	June 30, 2010
		2010-2011
General obligation bonds	\$ 1,080	1,365 -20.88%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Fuel and utility costs remain major budget concerns. The District continues to look for ways to reduce travel and improve energy conservation.
- Open enrollment out requests continues to far outnumber open enrollment in requests causing a significant loss of revenue for quality programs.
- Interest rates remain low causing reduced interest revenue.
- Facility improvements are needed at both campuses. The District is working to secure bonding for construction and renovation. The financing of the facility improvements may require the vast majority of PPEL an SAVE revenues for the next two decades. The District will need to monitor its expenses closely to maintain a small reserve of funding.
- District enrollment decreased again this year, maintaining a downward trend for the District. Open enrollment out requests continue to outbalance open enrollment in requests. Both factors contribute to a loss in funding to support quality programs and services.
- Health insurance rates continue to rise, forcing the District to carry a larger burden of the cost or reduce employee benefits. The District chose to maintain the same level of benefits and worked with its insurance management company to continue to partially self-fund its insurance plan.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bonnie Mitchell, Business Manager, Collins-Maxwell Community School District, 400 Metcalf St, Maxwell, IA 50161.

Basic Financial Statements

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental	Business Type Activities	
	Activities	School Nutrition	Total
Assets			
Cash and pooled investments	\$ 3,133,427	32,738	3,166,165
Receivables:			
Property tax:			
Current year	23,662	-	23,662
Succeeding year	1,848,483	-	1,848,483
Income surtax - succeeding year	67,190	-	67,190
Due from other governments	178,929	-	178,929
Other receivables	42,588	-	42,588
Inventories	-	8,245	8,245
Capital assets, net of accumulated depreciation	3,404,823	937	3,405,760
Total assets	8,699,102	41,920	8,741,022
Liabilities			
Accrued payroll and benefits	72,950	-	72,950
Unearned revenues	-	3,236	3,236
Accrued interest payable	3,135	-	3,135
Deferred revenue - Succeeding year property tax	1,848,483	-	1,848,483
- Federal programs	101,936	-	101,936
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	295,000	-	295,000
Early retirement	22,005	-	22,005
Portion due after one year:			
Net OPEB liability	25,925	-	25,925
General obligation bonds payable	785,000	-	785,000
Total liabilities	3,154,434	3,236	3,157,670
Net assets			
Invested in capital assets, net of related debt	2,324,823	937	2,325,760
Restricted for:			
Categorical programs	51,798	-	51,798
Student activities	92,193	-	92,193
Management levy	263,730	-	263,730
School infrastructure	1,398,614	-	1,398,614
Physical plant and equipment levy	21,089	-	21,089
Debt service	53,123	-	53,123
Unrestricted	1,339,298	37,747	1,377,045
Total net assets	\$ 5,544,668	38,684	5,583,352

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest				
	Charges for Service		Governmental Activities	Business Type Activities	Total
Expenses					
Functions/Programs:					
Governmental activities:					
Instruction	\$ 3,459,174	180,529	864,196	(2,414,449)	- (2,414,449)
Support services:					
Student services	98,739	-	-	(98,739)	- (98,739)
Instructional staff services	138,990	-	-	(138,990)	- (138,990)
Administration services	465,729	-	-	(465,729)	- (465,729)
Operation and maintenance of plant services	345,871	-	10,184	(335,687)	- (335,687)
Transportation services	174,477	-	-	(174,477)	- (174,477)
	1,223,806	-	10,184	(1,213,622)	- (1,213,622)
Other expenditures:					
AEA flowthrough	200,245	-	200,245	-	- -
Long-term liabilities interest	46,504	-	-	(46,504)	- (46,504)
Facilities acquisition and construction	64,319	-	2,044	(62,275)	- (62,275)
Depreciation (unallocated)*	166,366	-	-	(166,366)	- (166,366)
	477,434	-	202,289	(275,145)	- (275,145)
Total governmental activities	5,160,414	180,529	1,076,669	(3,903,216)	- (3,903,216)
Business type activities:					
Non-instructional programs:					
Nutrition services	182,853	99,221	90,929	-	7,297 7,297
Total	\$ 5,343,267	279,750	1,167,598	(3,903,216)	7,297 (3,895,919)

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
	Operating Grants, Contributions			
	Charges for	and Restricted	Governmental	Business Type
Expenses	Service	Interest	Activities	Activities
				Total
General Revenues:				
Property tax levied for:				
General purposes			\$ 1,396,765	-
Capital outlay			126,299	-
Management			277,865	-
Income surtax			73,159	-
Statewide sales, services and use tax			605,446	-
Unrestricted state grants			2,059,955	-
Unrestricted investment earnings			17,228	-
Other			23,498	-
Total general revenues			4,580,215	-
Change in net assets			676,999	7,297
Net assets beginning of year			4,867,669	31,387
Net assets end of year			\$ 5,544,668	38,684

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy	Projects			
Cash and pooled investments	\$ 1,412,118	92,193	282,081	1,271,305	19,472			56,258	3,133,427
Receivables:									
Property tax:									
Current year	18,391	-	3,654	-		1,617		-	23,662
Succeeding year	1,395,281	-	150,000	-	131,179			172,023	1,848,483
Income surtax - succeeding year	67,190	-	-	-	-	-		-	67,190
Due from other governments	51,620	-	-	127,309	-	-		-	178,929
Other receivables	42,588	-	-	-	-	-		-	42,588
Total assets	\$ 2,987,188	92,193	435,735	1,398,614	152,268			228,281	5,294,279

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Debt Service	Total
				Statewide Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy	Projects		
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 72,950	-	-	-	-	-	-	72,950
Deferred revenue:								
Succeeding year property tax	1,395,281	-	150,000	-	131,179	-	172,023	1,848,483
Succeeding year income surtax	67,190	-	-	-	-	-	-	67,190
Federal programs	101,936	-	-	-	-	-	-	101,936
Total liabilities	1,637,357	-	150,000	-	131,179	-	172,023	2,090,559
Fund balances:								
Reserved for:								
Categorical programs	51,798	-	-	-	-	-	-	51,798
Student activities	-	92,193	-	-	-	-	-	92,193
Management levy	-	-	285,735	-	-	-	-	285,735
School infrastructure	-	-	-	1,398,614	-	-	-	1,398,614
Physical plant and equipment levy	-	-	-	-	21,089	-	-	21,089
Debt service	-	-	-	-	-	-	56,258	56,258
Unassigned	1,298,033	-	-	-	-	-	-	1,298,033
Total fund balances	1,349,831	92,193	285,735	1,398,614	21,089	-	56,258	3,203,720
Total liabilities and fund balances	\$ 2,987,188	92,193	435,735	1,398,614	152,268	-	228,281	5,294,279

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 3,203,720
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	67,190
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,404,823
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,135)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.

General obligation bonds	\$ (1,080,000)	
Early retirement	(22,005)	
Net OPEB liability	(25,925)	(1,127,930)

Net assets of governmental activities (Exhibit A)	<u>\$ 5,544,668</u>
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COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Debt Service	Total
				Statewide Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy	Projects		
Revenues:								
Local sources:								
Local tax	\$ 1,467,803	-	277,865	605,446	126,299	-	-	2,477,413
Tuition	180,529	-	-	-	-	-	-	180,529
Other	60,874	123,771	1,168	2,044	8,760	-	-	196,617
State sources	2,695,981	-	177	-	79	-	-	2,696,237
Federal sources	284,496	-	-	-	-	-	-	284,496
Total revenues	4,689,683	123,771	279,210	607,490	135,138	-	-	5,835,292
Expenditures:								
Current:								
Instruction:								
Regular Instruction	3,273,213	109,739	61,740	-	-	-	-	3,444,692
Support services:								
Student services	98,739	-	-	-	-	-	-	98,739
Instructional staff services	138,990	-	-	-	-	-	-	138,990
Administration services	465,729	-	-	-	-	-	-	465,729
Operation and maintenance of plant services	312,763	-	23,108	-	10,000	-	-	345,871
Transportation services	163,508	-	8,442	-	7,200	-	-	179,150
	1,179,729	-	31,550	-	17,200	-	-	1,228,479
Other expenditures:								
AEA flowthrough	200,245	-	-	-	-	-	-	200,245
Long-term liabilities:								
Principal	-	-	-	-	-	-	285,000	285,000
Interest	-	-	-	-	-	-	47,312	47,312
Facilities acquisition and construction	-	-	-	-	185,387	-	-	185,387
	200,245	-	-	-	185,387	-	332,312	717,944
Total expenditures	4,653,187	109,739	93,290	-	202,587	-	332,312	5,391,115

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy	Projects			
Excess (deficiency) of revenues over (under) expenditures	36,496	14,032	185,920	607,490	(67,449)			(332,312)	444,177
Other financing sources(uses):									
Operating transfers in	-	-	-	-	12,000			333,000	345,000
Operating transfers (out)	-	-	-	(345,000)	-			-	(345,000)
	-	-	-	(345,000)	12,000			333,000	-
Net change in fund balances	36,496	14,032	185,920	262,490	(55,449)		688		444,177
Fund balances beginning of year	1,313,335	78,161	99,815	1,136,124	76,538		55,570		2,759,543
Fund balances end of year	\$ 1,349,831	92,193	285,735	1,398,614	21,089		56,258		3,203,720

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 444,177

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in the receivable from the prior year.

2,121

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital activity for the year is as follows:

Acquisition of capital assets	\$ 128,268	
Depreciation expense	<u>(168,893)</u>	(40,625)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bonds		285,000
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Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(1,985)	
Other postemployment benefits	<u>(12,497)</u>	(14,482)

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

808

Change in net assets of governmental activities (Exhibit B) \$ 676,999

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 99,221
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	75,481
Benefits	10,818
Supplies	96,008
Depreciation	546
Total operating expenses	<u>182,853</u>
Operating (loss)	<u>(83,632)</u>
Non-operating revenues:	
State sources	5,797
Federal sources	84,783
Interest income	349
	<u>90,929</u>
Changes in net assets	7,297
Net assets beginning of year	<u>31,387</u>
Net assets end of year	<u><u>\$ 38,684</u></u>

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,969
Cash payments to employees for services	(86,299)
Cash payments to suppliers for goods or services	(79,592)
Net cash (used by) operating activities	<u>(67,922)</u>
Cash flows from non-capital financing activities:	
State grants received	5,797
Federal grants received	66,817
Net cash provided by non-capital financing activities	<u>72,614</u>
Cash flows from investing activities:	
Interest on investments	<u>349</u>
Net increase in cash and cash equivalents	5,041
Cash and cash equivalents beginning of year	<u>27,697</u>
Cash and cash equivalents end of year	<u>\$ 32,738</u>
Reconciliation of operating (loss) to net cash (used by)	
operating activities:	
Operating (loss)	\$ (83,632)
Adjustments to reconcile operating (loss) to net cash	
(used by) operating activities:	
Depreciation	546
Commodities used	17,966
(Increase) in inventory	(1,550)
(Decrease) in unearned revenue	(1,252)
	<u>\$ (67,922)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$17,966.

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts	Scholarships
Assets		
Cash	\$ 286,211	
Land		587,500
Total assets		873,711
Net Assets		
Reserved for scholarships		873,711
Total net assets	\$	873,711

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts	Scholarships
Additions:		
Local sources:		
Rent	\$ 64,536	
Interest on investments	2,568	
Total additions	67,104	
Deductions:		
Support services:		
Property maintenance costs	6,749	
Scholarships	20,350	
Total deductions	27,099	
Change in net assets	40,005	
Net assets beginning of year	833,706	
Net assets end of year	\$ 873,711	

See notes to financial statements.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Collins-Maxwell Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Collins and Maxwell, Iowa, and agricultural area in Jasper, Marshall, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Collins-Maxwell Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Collins-Maxwell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects, Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for funds raised by the statewide sales, services and use tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangibles assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 226,464	-	-	226,464
Capital assets being depreciated:				
Site Improvements	259,827	-	-	259,827
Buildings	5,460,698	-	-	5,460,698
Furniture and Equipment	2,025,050	128,268	-	2,153,318
Total capital assets being depreciated	7,745,575	128,268	-	7,873,843
Less accumulated depreciation for:				
Site Improvements	220,267	12,991	-	233,258
Buildings	2,384,779	109,214	-	2,493,993
Furniture and Equipment	1,921,545	46,688	-	1,968,233
Total accumulated depreciation	4,526,591	168,893	-	4,695,484
Total capital assets being depreciated, net	3,218,984	(40,625)	-	3,178,359
Governmental activities, capital assets, net	\$ 3,445,448	(40,625)	-	3,404,823
Business type activities:				
Furniture and equipment	\$ 18,533	-	-	18,533
Less accumulated depreciation	17,050	546	-	17,596
Business type activities capital assets, net	\$ 1,483	(546)	-	937
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 2,527
Unallocated				166,366
Total depreciation expenses - governmental activities				\$ 168,893
Business Type activities:				
Food service operations				\$ 546

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$203,464, \$196,248, and \$182,646 respectively, equal to the required contributions for each year.

(5) Risk Management

Collins-Maxwell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$200,245 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Long-Term Liabilities

Charges in long-term liabilities for the year ended June 30, 2011 are summarized as follow:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$1,365,000	-	285,000	1,080,000	295,000
Early Retirement	20,020	12,764	10,779	22,005	22,005
Net OPEB Liabilities	<u>13,428</u>	<u>12,497</u>	<u>-</u>	<u>25,925</u>	<u>-</u>
Total	<u>\$1,398,448</u>	<u>25,261</u>	<u>295,779</u>	<u>1,127,930</u>	<u>317,005</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3.40%	\$ 295,000	37,623	332,623
2013	3.40	300,000	27,592	327,592
2014	3.55	310,000	17,393	327,393
2015	3.65	<u>175,000</u>	<u>6,387</u>	<u>181,387</u>
Total		<u>\$1,080,000</u>	<u>88,995</u>	<u>1,168,995</u>

(8) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$333,000
Capital Projects, Physical Plant and Equipment Levy	Capital Projects, Statewide Sales, Services and Use Tax	<u>12,000</u>
		<u>\$345,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 49 active members and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$18,863
Interest on net OPEB Obligation	336
Adjustment to annual required contribution	(1,370)
Annual OPEB Cost	17,829
Contributions made	(5,332)
Increase in net OPEB obligation	12,497
Net OPEB obligation beginning of year	13,428
Net OPEB obligation end of year	<u>\$25,925</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$17,631	23.8%	\$13,428
June 30, 2011	\$18,863	28.3%	\$25,925

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$159,230, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$159,230. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,988,000 and the ratio of the UAAL to covered payroll was 5.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	76,538
Change in fund type classification per implementation of GASB Statement No. 54	<u>76,538</u>	<u>(76,538)</u>
Balances July 1, 2010, as restated	<u>\$76,538</u>	<u>-</u>

Required Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,854,559	99,570	2,954,129	2,907,951	2,907,951	46,178
State sources	2,696,237	5,797	2,702,034	2,999,389	2,999,389	(297,355)
Federal sources	284,496	84,783	369,279	436,000	436,000	(66,721)
Total revenues	<u>5,835,292</u>	<u>190,150</u>	<u>6,025,442</u>	<u>6,343,340</u>	<u>6,343,340</u>	<u>(317,898)</u>
Expenditures:						
Instruction	3,444,692	-	3,444,692	4,346,668	4,346,668	901,976
Support services	1,228,479	-	1,228,479	2,755,082	2,755,082	1,526,603
Non-instructional programs	-	182,853	182,853	200,000	200,000	17,147
Other expenditures	717,944	-	717,944	796,911	796,911	78,967
Total expenditures	<u>5,391,115</u>	<u>182,853</u>	<u>5,573,968</u>	<u>8,098,661</u>	<u>8,098,661</u>	<u>2,524,693</u>
Excess (deficiency) of revenues over (under) expenditures	444,177	7,297	451,474	(1,755,321)	(1,755,321)	2,206,795
Other financing sources (uses)	-	-	-	35,000	35,000	(35,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	444,177	7,297	451,474	(1,720,321)	(1,720,321)	2,171,795
Balance beginning of year	<u>2,759,543</u>	<u>31,387</u>	<u>2,790,930</u>	<u>2,624,423</u>	<u>2,624,423</u>	<u>166,507</u>
Balance end of year	<u>\$ 3,203,720</u>	<u>38,684</u>	<u>3,242,404</u>	<u>904,102</u>	<u>904,102</u>	<u>2,338,302</u>

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$162	\$162	0.0%	\$3,039	5.3%
2011	Jul 1, 2009	\$0	\$159	\$159	0.0%	\$2,988	5.3%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Plays	\$ -	-	-	-
Vocal Music	2,049	2,870	3,233	1,686
Instrumental Music	252	990	1,242	-
Music	919	-	-	919
CM Athletics	-	385	211	174
CMB Athletics	5,525	28,717	37,676	(3,434)
JH Track	39	-	-	39
Golf	-	869	869	-
Football	-	4,623	-	4,623
Baseball	-	521	-	521
Boys Basketball	119	-	-	119
Wrestling	411	-	-	411
Youth Wrestling	116	-	-	116
Girls Basketball	2	-	-	2
Volleyball	2,939	3,463	2,265	4,137
Soccer	608	3,119	1,103	2,624
Softball	1,024	1,261	552	1,733
Girls Track	45	-	-	45
FFA	6,200	19,856	16,781	9,275
Greenhouse	26,070	2,100	-	28,170
Class of 2012	500	2,742	2,945	297
Class of 2011	271	-	271	-
Class of 2014	535	-	-	535
Class of 2013	301	575	-	876
Dance Team	2,240	13,778	13,546	2,472
National Honor Society	327	45	190	182
HS Academic	1,321	-	-	1,321
HS Student Council	261	5,078	4,352	987
Powerlifting	537	-	-	537
MS Student Council	3,274	8,744	6,452	5,566
JH Softball	170	-	-	170
CHAMPS	578	196	20	754
Vending	-	3,370	-	3,370
Robotics	-	250	-	250
Yearbook	350	2,487	2,573	264
Football Cheerleaders	(124)	-	-	(124)
Cheerleader	798	2,395	998	2,195
Wrestling Cheerleaders	-	200	-	200
Book Fair	191	7,133	7,125	199
Shop	64	-	-	64
Elementary	3,127	5,859	5,112	3,874
Pepsi	14,845	1,768	2,145	14,468
JH Basketball	580	-	-	580
JH Cheerleading	274	-	30	244
Courtyard	941	-	48	893
Baseball	69	-	-	69
Interest	413	377	-	790
Total	\$ 78,161	123,771	109,739	92,193

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atwood Trust	\$ 15,804	336	500	15,640
Lions Club	5,286	40	-	5,326
Brethren	5,722	-	250	5,472
Robison Educational Opportunity Fund	806,894	66,728	26,349	847,273
Total	\$ 833,706	67,104	27,099	873,711

See accompanying independent auditor's report.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,477,413	2,242,840	2,155,623	1,978,105	1,968,465	1,822,223	1,886,379	1,749,664
Tuition	180,529	71,472	85,995	94,385	126,671	215,461	147,557	122,126
Other	196,617	240,666	303,053	267,687	295,368	224,408	197,490	153,445
State sources	2,696,237	2,336,628	2,794,560	2,796,247	2,581,360	2,538,211	2,410,086	2,211,514
Federal sources	284,496	346,984	142,795	133,000	110,827	145,682	89,737	121,278
Total	<u>\$ 5,835,292</u>	<u>5,238,590</u>	<u>5,482,026</u>	<u>5,269,424</u>	<u>5,082,691</u>	<u>4,945,985</u>	<u>4,731,249</u>	<u>4,358,027</u>
Expenditures:								
Instruction	\$ 3,444,692	3,387,378	3,403,711	3,136,260	3,044,761	2,794,039	2,732,563	2,553,271
Support services:								
Student	98,739	106,269	89,363	89,818	79,943	50,864	74,809	75,025
Instructional staff	138,990	156,750	158,726	155,090	154,064	174,582	271,000	189,210
Administration	465,729	456,563	509,566	483,980	473,002	464,577	433,544	458,896
Operation and maintenance								
of plant	345,871	337,045	345,842	345,604	318,243	347,620	387,612	389,323
Transportation	179,150	154,753	159,315	165,695	160,463	248,149	133,490	119,164
Non-instructional programs:								
Community service and education								
operations	-	-	-	-	-	-	-	3,000
Other expenditures:								
Facilities acquisition	185,387	75,970	55,931	154,683	141,004	89,446	10,562	44,641
Debt service:								
Principal	285,000	280,000	275,000	260,000	255,000	195,000	185,000	175,000
Interest and service charges	47,312	56,412	65,350	73,150	80,800	140,483	149,657	157,982
AEA flowthrough	200,245	198,258	182,969	172,246	162,388	154,124	148,384	147,670
Total	<u>\$ 5,391,115</u>	<u>5,209,398</u>	<u>5,245,773</u>	<u>5,036,526</u>	<u>4,869,668</u>	<u>4,658,884</u>	<u>4,526,621</u>	<u>4,313,182</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Collins-Maxwell Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Collins-Maxwell Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Collins-Maxwell Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Collins-Maxwell Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Collins-Maxwell Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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Compliance and Other Matters

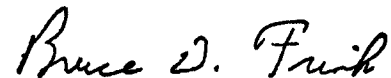
As part of obtaining reasonable assurance about whether Collins-Maxwell Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Collins-Maxwell Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Collins-Maxwell Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Collins-Maxwell Community School District and other parties to whom Collins-Maxwell Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Collins-Maxwell Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 3, 2012

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts in any of the four functions.
- II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$1,136,124
Revenues/transfers in:		
Sales tax revenues	\$478,137	
Other local revenues	<u>2,044</u>	<u>408,181</u>
		1,544,305
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	333,000	
Other transfers	<u>12,000</u>	<u>345,000</u>
Ending balance		<u>\$1,199,305</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$2.82</u>	<u>\$345,000</u>